

## Basic information

2013/0110(COD)

COD - Ordinary legislative procedure (ex-codecision procedure)  
Directive

Corporate governance: disclosure of non-financial and diversity information by certain large companies and groups

Amending Directive 2013/34/EU 2011/0308(COD)

### Subject

3.45.01 Company law

Procedure completed

## Key players

European  
Parliament

### Committee responsible

JURI

Legal Affairs

### Rapporteur

BALDASSARRE Raffaele  
(PPE)

### Appointed

29/05/2013

### Shadow rapporteur

COFFERATI Sergio  
Gaetano (S&D)

TAYLOR Rebecca (ALDE)

### Committee for opinion

AFET

Foreign Affairs

### Rapporteur for opinion

BROK Elmar (PPE)

### Appointed

08/07/2013

DEVE

Development

SARGENTINI Judith (Verts  
/ALE)

28/05/2013

ECON

Economic and Monetary Affairs

BOWLES Sharon (ALDE)

21/05/2013

EMPL

Employment and Social Affairs

HOWITT Richard (S&D)

22/05/2013

ENVI

Environment, Public Health and Food Safety

The committee decided not  
to give an opinion.

ITRE

Industry, Research and Energy

BENDTSEN Bendt (PPE)

12/06/2013

IMCO

Internal Market and Consumer Protection

COFFERATI Sergio  
Gaetano (S&D)

29/05/2013

	<div style="border: 1px solid red; display: inline-block; padding: 2px;">FEMM</div> Women's Rights and Gender Equality		KLEVA KEKUŠ Mojca (S&D)	29/05/2013
Council of the European Union	<b>Council configuration</b>	<b>Meetings</b>	<b>Date</b>	
	General Affairs	3334	2014-09-29	
European Commission	<b>Commission DG</b>		<b>Commissioner</b>	
	Financial Stability, Financial Services and Capital Markets Union		BARNIER Michel	
European Economic and Social Committee				

Key events			
Date	Event	Reference	Summary
16/04/2013	Legislative proposal published	COM(2013)0207 	Summary
21/05/2013	Committee referral announced in Parliament, 1st reading		
17/12/2013	Vote in committee, 1st reading		
10/01/2014	Committee report tabled for plenary, 1st reading	A7-0006/2014	Summary
15/04/2014	Decision by Parliament, 1st reading	T7-0368/2014	Summary
15/04/2014	Results of vote in Parliament		
29/09/2014	Act adopted by Council after Parliament's 1st reading		
22/10/2014	Final act signed		
22/10/2014	End of procedure in Parliament		
15/11/2014	Final act published in Official Journal		

Technical information	
<b>Procedure reference</b>	2013/0110(COD)
<b>Procedure type</b>	COD - Ordinary legislative procedure (ex-codecision procedure)
<b>Procedure subtype</b>	Legislation
<b>Legislative instrument</b>	Directive
<b>Amendments and repeals</b>	Amending Directive 2013/34/EU <a href="#">2011/0308(COD)</a>
<b>Legal basis</b>	Treaty on the Functioning of the European Union TFEU 050-p1
<b>Other legal basis</b>	Rules of Procedure EP 165
<b>Mandatory consultation of other institutions</b>	<a href="#">European Economic and Social Committee</a>
<b>Stage reached in procedure</b>	Procedure completed
<b>Committee dossier</b>	JURI/7/12511

## Documentation gateway

### European Parliament

Document type	Committee	Reference	Date	Summary
Committee draft report		PE521.714	17/10/2013	
Committee opinion	DEVE	PE519.686	11/11/2013	
Amendments tabled in committee		PE523.052	15/11/2013	
Committee opinion	AFET	PE516.784	28/11/2013	
Committee opinion	FEMM	PE519.762	28/11/2013	
Committee opinion	IMCO	PE516.976	29/11/2013	
Committee opinion	ITRE	PE516.970	02/12/2013	
Committee opinion	EMPL	PE519.836	10/12/2013	
Committee opinion	ECON	PE519.575	11/12/2013	
Committee report tabled for plenary, 1st reading/single reading		A7-0006/2014	10/01/2014	Summary
Text adopted by Parliament, 1st reading/single reading		T7-0368/2014	15/04/2014	Summary

### Council of the EU

Document type	Reference	Date	Summary
Draft final act	00047/2014/LEX	22/10/2014	

### European Commission

Document type	Reference	Date	Summary
Legislative proposal	COM(2013)0207 	16/04/2013	Summary
Document attached to the procedure	SWD(2013)0127 	16/04/2013	
Document attached to the procedure	SWD(2013)0128 	16/04/2013	
Commission response to text adopted in plenary	SP(2014)471	09/07/2014	

### National parliaments

Document type	Parliament /Chamber	Reference	Date	Summary
Contribution	DE_BUNDESRAT	COM(2013)0207	12/06/2013	
Contribution	PT_PARLIAMENT	COM(2013)0207	18/06/2013	

Contribution	<a href="#">ES_PARLIAMENT</a>	<a href="#">COM(2013)0207</a>	28/06/2013	
Contribution	<a href="#">FR_ASSEMBLY</a>	<a href="#">COM(2013)0207</a>	03/03/2014	
<b>Other institutions and bodies</b>				
Institution/body	Document type	Reference	Date	Summary
EESC	Economic and Social Committee: opinion, report	<a href="#">CES3548/2013</a>	11/07/2013	

Additional information		
Source	Document	Date
National parliaments	<a href="#">IPEX</a>	
European Commission	<a href="#">EUR-Lex</a>	

Final act	
<a href="#">Directive 2014/0095</a> <a href="#">OJ L 330 15.11.2014, p. 0001</a>	<a href="#">Summary</a>

## Corporate governance: disclosure of non-financial and diversity information by certain large companies and groups

2013/0110(COD) - 16/04/2013 - Legislative proposal

**PURPOSE:** to increase the relevance, consistency, and comparability of non-financial information published by undertakings across the Union.

**PROPOSED ACT:** Directive of the European Parliament and of the Council (amendment of Council Directives 78/660/EE and 83/349/EEC).

**ROLE OF THE EUROPEAN PARLIAMENT:** the European Parliament decides in accordance with the ordinary legislative procedure and on an equal footing with the Council.

**BACKGROUND:** the approach currently taken in the Accounting Directives on the publication of non-financial information has not produced the desired results. It is estimated that only a limited number of large companies (2500 out of the total of 42000 in the EU) regularly publish non-financial information. The quality of the information disclosed varies, making it difficult for investors and stakeholders to understand and compare companies' position and performance.

Furthermore, national requirements are significantly diverse, which adds to the lack of clarity for companies and investors who operate across the Internal Market. In addition, insufficient diversity in boards may lead to a similarity of views of the members of the board of directors and more resistance to innovative ideas.

The **need to improve the transparency of the social and environmental information** provided by companies in all sectors, in order to ensure a level playing field, has been acknowledged by the Commission in the [Single Market Act](#) and was reiterated in the Communication "[A renewed strategy 2011 – 2014 for Corporate Social Responsibility](#)".

The European Parliament, in its two resolutions on "[Corporate Social Responsibility: accountable, transparent and responsible business behaviour and sustainable growth](#)" and "[Corporate Social Responsibility: promoting society's interests and a route to sustainable and inclusive recovery](#)", acknowledged the need to increase transparency in this field and called the Commission to bring forward a legislative proposal.

**IMPACT ASSESSMENT:** the impact assessment identified two main issues :

**1) The inadequate transparency of non-financial information:** the analysis has identified both a market and a regulatory failure as underlying causes of the problem. Following the assessment of policy options, the preferred option would be strengthening the existing obligation, by requiring a nonfinancial statement within the Annual Report.

**2) The lack of diversity in boards of directors:** the most appropriate option, at this stage, would be the disclosure of diversity policy. It is also the option that is preferred by most stakeholders compared to other options such as a compulsory diversity policy or to an action focusing only on recruitment policy.

LEGAL BASIS: Article 50 (1) of the Treaty on the Functioning of the European Union.

CONTENT: the proposal sets a requirement for certain large companies to disclose relevant non-financial and diversity information, ensuring a level playing field across the EU.

It pursues the following key objectives:

- to increase the transparency of certain companies, and to increase the relevance, consistency, and comparability of the non-financial information currently disclosed, by strengthening and clarifying the existing requirements ;
- to increase diversity in the boardrooms of companies through enhanced transparency in order to facilitate an effective oversight of the management and robust governance of the company;
- to increase the company's accountability and performance, and the efficiency of the Single Market.

The main points of the proposed directive are as follows:

**1) Non-financial information:** the proposal will require certain large companies to include a statement in their Annual Report including material information relating to at least **environmental, social, and employee-related matters, respect of human rights, anti-corruption and bribery matters**. Within these areas, the statement will include (i) a description of its policies, (ii) results and (iii) risk-related aspects.

The obligation will only apply to those companies where the **average number of employees exceeds 500**, and exceeds either a **balance sheet total of EUR 20 million** or a net turnover of EUR 40 million. This threshold, higher than the one currently applied within the Accounting Directives (250 employees) limits any undue administrative burden. It is estimated that, on this basis, the new requirement would cover around 18.000 companies in the EU.

**2) Diversity:** the amendment will require large listed companies to provide **information on their diversity policy**, including aspects concerning age, gender, geographical diversity, and educational and professional background. The information will be included in the corporate governance statement and will have to contain the objectives of such a policy, its implementation and the results obtained. Companies not having a diversity policy will only be obliged to explain why this is the case.

BUDGETARY IMPLICATIONS: the proposal has no implications for the EU budget.

## Corporate governance: disclosure of non-financial and diversity information by certain large companies and groups

2013/0110(COD) - 10/01/2014 - Committee report tabled for plenary, 1st reading/single reading

The Committee on Legal Affairs adopted the report by Raffaele BALDASSARRE (EPP, IT) on the proposal for a directive of the European Parliament and of the Council amending Council Directives 78/660/EEC and 83/349/EEC as regards disclosure of non-financial and diversity information by certain large companies and groups.

The committee recommended that Parliament's position in first reading following the ordinary legislative procedure should amend the Commission proposal as follows:

**Amendment of the Accounting Directive:** Members considered that the proposal should aim to amend the new Accounting Directive (2013/34/EU) as regards disclosure of non-financial, specific financial and diversity information by certain large undertakings and groups

Matters relating to reporting: a new recital set out the main issues which should be covered in the non-financial statement included in the management report.

- **Environmental questions:** the statement should contain details of the current and foreseeable impacts of an undertaking's operations on the environment, health and safety, the use of renewable and non-renewable energy, greenhouse gas emissions, water use and air pollution.
- **Social and staff issues:** the information provided in the statement should concern, the relationships maintained by the undertaking with its supply and subcontracting chains, the actions taken to ensure gender equality, implementation of fundamental conventions of the International Labour Organisation (ILO), working conditions, social dialogue, respect for the right of workers to be informed and consulted, respect for trade union rights, health and safety at as well as responsible behaviour on tax planning
- **Human rights, anti-corruption and bribery:** the non-financial statement should include, as a minimum, information on the prevention of human rights abuses and instruments in place in order to fight corruption and bribery.

The non-financial statement should also include information on the **due diligence policies** implemented by the undertaking, in particular regarding the undertakings' supply and subcontracting chains, in order to identify, prevent and mitigate existing and potential adverse impacts.

**Report on risks:** the management report shall include a fair review of the development and performance of the undertaking's business and of its position, together with a description of the management of the principal risks and uncertainties that it faces.

Members proposed **limiting the disclosure of information only to risks that were deemed to be 'principal'**, whilst giving the decision-making or supervisory bodies of an undertaking the option of not disclosing information relating to risks or to negotiations under way, where such disclosure would seriously jeopardise the interests of the undertaking.

**Guidelines:** the Commission shall develop, with the involvement of all relevant stakeholders, guidelines on the methodology and use of international standards and non-financial performance indicators in order to assist undertakings in their reporting. It should publish the guidelines 12 months after the entry into force of the Directive.

**Revision:** no later than three years after the entry into force of the Directive, the Commission should submit a report, accompanied, if appropriate, by legislative proposals concerning: (i) the non-financial information disclosed and its scope, **including the coverage of the supply and subcontracting chains**; (ii) the transparency and comparability of the non-financial information provided by the undertakings and whether the aims of the legislation are being fulfilled; (iii) the judicial and/or administrative procedures for the enforcement of obligations under this Directive, including procedures available to interested third parties, within the Member States; (iv) the progress with non-financial reporting throughout the world.

## Corporate governance: disclosure of non-financial and diversity information by certain large companies and groups

2013/0110(COD) - 15/04/2014 - Text adopted by Parliament, 1st reading/single reading

The European Parliament adopted by 599 votes to 55 with 21 abstentions, a legislative resolution on the proposal for a directive of the European Parliament and of the Council amending Council Directives 78/660/EEC and 83/349/EEC as regards disclosure of non-financial and diversity information by certain large companies and groups.

Parliament adopted its position at first reading under the ordinary legislative procedure. The amendments adopted in plenary were the result of a compromise between Parliament and Council. They amend the Commission's proposal as follows:

**Amendment of the Accounting Directive:** as suggested by Parliament, the directive should aim to amend the new [Accounting Directive 2013/34/EU](#) as regards disclosure of non-financial, specific financial and diversity information by certain large undertakings and groups

It was recalled that the **European Parliament called on the Commission to bring forward a legislative proposal** on the disclosure of non-financial information by undertakings, in order to take account of the multi-dimensional nature of corporate social responsibility (CSR) matched by a sufficient level of comparability to meet the needs of investors as well to provide consumers with easy access to information on businesses' impact on society.

**Non-financial statement:** the amended text provided that **large undertakings** which were public-interest entities exceeding on their balance-sheet dates the criterion of average number of employees during the financial year of 500, should **include in the management** report a non-financial statement containing information to the extent necessary for an understanding of the undertaking's development, performance and position and of the impact of its activity, including:

- **Environmental questions:** the statement should contain details of the current and foreseeable impacts of an undertaking's operations on the environment, health and safety, the use of renewable and non-renewable energy, greenhouse gas emissions, water use and air pollution.
- **Social and staff issues:** the information provided in the statement should concern the actions taken to ensure gender equality, implementation of fundamental conventions of the International Labour Organisation (ILO), working conditions, social dialogue, respect for the right of workers to be informed and consulted, respect for trade union rights, health and safety at work and the dialogue with local communities, and/or the actions taken to ensure the protection and the development of those communities;
- **Human rights, anti-corruption and bribery:** the non-financial statement should include information on the prevention of human rights abuses and instruments in place in order to fight corruption.

The non-financial statement should also include information on:

- a brief description of the undertaking's business model;
- the **due diligence policies** implemented by the undertaking;
- the **principal risks** related to those matters linked to the undertaking's operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the undertaking manages those risks;
- non-financial **key performance indicators** relevant to the particular business.

Where the undertaking does not pursue policies in relation to one or more of those matters, the non-financial statement shall provide a **clear and reasoned explanation** for not doing so.

An undertaking should be **exempted** from the obligation to provide a non-financial statement if it provided the information required for the financial year in a separate report.

Member States may **allow information** relating to impending developments or matters in the course of negotiation to be **omitted in exceptional cases** where, in the duly justified opinion of the members of the administrative, management and supervisory bodies, the disclosure of such information would be seriously prejudicial to the commercial position of the undertaking.

**Guidelines:** the Commission should prepare within two years of entry into force of the legislation, non-binding guidelines on methodology for reporting non-financial information, with a view to facilitating relevant, useful and comparable disclosure of non-financial information by Union undertakings.

**Revision:** at the latest four years after the entry into force of the Directive, the Commission should submit a report, with legislative proposals if appropriate, on the implementation of the Directive, including, among other aspects, its scope, particularly as regards large non-listed undertakings, its effectiveness and the level of guidance and methods provided.

## Corporate governance: disclosure of non-financial and diversity information by certain large companies and groups

2013/0110(COD) - 22/10/2014 - Final act

**PURPOSE:** to increase the relevance, consistency, and comparability of non-financial information published by undertakings across the Union, with a view to increasing transparent and responsible business behaviour.

**LEGISLATIVE ACT:** Directive 2014/95/EU of the European Parliament and of the Council amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups.

**CONTENT:** the Directive amends [Directive 2013/34/EU](#) of the European Parliament and of the Council on the annual financial statements, consolidated financial statements and related reports of certain types of undertakings. It concerns the **disclosure of non-financial and diversity information by certain large undertakings and groups**.

In its [resolutions of 6 February 2013](#), the European Parliament acknowledged the importance of businesses divulging information on sustainability such as social and environmental factors, with a view to identifying sustainability risks and increasing investor and consumer trust. It called on the Commission to bring forward a legislative proposal on the disclosure of non-financial information by undertakings allowing for high flexibility of action, in order to take account of the multidimensional nature of corporate social responsibility (CSR).

The main elements of the Directive are as follows:

**Non-financial statement:** under the new provisions, large undertakings which are public-interest entities exceeding on their balance sheet dates the criterion of the average number of **500 employees** during the financial year shall include in the management report a non-financial statement containing information to the extent necessary for an understanding of the undertaking's development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters. This statement shall include a description of policies, results and risks related to those matters.

Where the undertaking does not pursue policies in relation to one or more of those matters, the non-financial statement shall provide a **clear and reasoned explanation** for not doing so.

Therefore small and medium-sized companies will be exempted from the new reporting obligation.

**Diversity policy:** the description of the diversity policy applied for the undertaking's administrative, management and supervisory bodies with regard to aspects such as **age, gender, educational and professional background**, will be added in the corporate governance statement (provided for in article 20 of directive 2013/34/EU).

**Guidelines:** the Commission shall publish, by 6 December 2016, non-binding guidelines on methodology for reporting non-financial information, including non-financial key performance indicators, general and sectoral, with a view to facilitating relevant, useful and comparable disclosure of non-financial information by undertakings.

**Country by country reporting on taxes:** in a report to be delivered by 21 July 2018 by the Commission, it will have to be considered the possibility of introducing an obligation requiring large undertakings to produce, on an annual basis, a **country-by-country report for each Member State and third country in which they operate**, containing information on profits made, taxes paid on profits and public subsidies received.

**Review:** the Commission shall submit, by 6 December 2018 and shall be accompanied, if appropriate, by legislative proposals, a report to the European Parliament and to the Council on the implementation of this Directive, including, among other aspects, its scope, particularly as regards large non-listed undertakings, its effectiveness and the level of guidance and methods provided.

**ENTRY INTO FORCE:** 5.12.2014.

**TRANSPOSITION:** 6.12.2016. Provisions are to apply to all undertakings for the financial year starting on 1 January 2017 or during the calendar year 2017.